

LIBERTY TOWNSHIP

JACKSON COUNTY, MICHIGAN

FINANCIAL STATEMENTS

JUNE 30, 2008

**KARL L. DRAKE
CERTIFIED PUBLIC ACCOUNTANT**

LIBERTY TOWNSHIP

FINANCIAL STATEMENTS

JUNE 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-8
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	12
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds....	13
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Fiduciary Fund	
Statement of Fiduciary Net Assets.....	15
Notes to Financial Statements.....	16-28
 REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE	
General Fund.....	30
 OTHER SUPPLEMENTAL INFORMATION	
GENERAL FUND	
Balance Sheet.....	32
Statement of Revenue and Expenditures - Budget and Actual.....	33-37
SPECIAL REVENUE FUNDS	
Combining Balance Sheet.....	39
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	40
Building Department Fund	
Balance Sheet.....	41
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	42-43

SPECIAL REVENUE FUNDS (CONTINUED)

Fire Equipment Fund

Balance Sheet.....	44
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	45

Central Complex Fund

Balance Sheet.....	46
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	47

Improvement Revolving Fund

Balance Sheet.....	48
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	49

Sewer Fund

Balance Sheet.....	50
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	51

DEBT SERVICE FUND

Sewer Fund

Balance Sheet.....	53
Statement of Revenue, Expenditures and Changes in Fund Balances.....	54

FIDUCIARY FUNDS

Agency Funds

Balance Sheet.....	56
--------------------	----

Employee Withholding Fund

Statement of changes in assets and liabilities.....	56
---	----

Current Tax Fund

Statement of changes in assets and liabilities.....	57
Statement of receipts and disbursements.....	57

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	58-59
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INDEPENDENT AUDITOR'S REPORT

Township Board
Liberty Township
Clarklake, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Liberty Township, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Liberty Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Liberty Township as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of Liberty Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3-8 and page 30 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Liberty Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.
Certified Public Accountant

October 10, 2008

This section of the Liberty Township's annual financial report presents discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. It is best read in conjunction with the Township's financial statements that follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Liberty Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the entire Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund - the General Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for the General Fund
(Required Supplemental Information)

Other Supplemental Information

REPORTING THE TOWNSHIP AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

One of the most important questions asked about the Township is, "As a whole, what is the Township's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information on the Township as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets (the difference between assets and liabilities, as reported in the statement of net assets) as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets (as reported in the statement of activities) are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Township's operating results. However, the Township's goal is to provide services to its residents, not to generate profits as commercial entities do. Many other non-financial factors must be considered to assess the overall health of the Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works, and community enrichment. Property taxes and State Revenue Sharing finance most of these activities.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

FUND FINANCIAL STATEMENTS

The Township's fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Township use the following accounting approach:

Governmental Funds - All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on money inflow and outflow, and the balances remaining at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in the reconciliation on page 15 of this report.

REPORTING THE TOWNSHIP'S FIDUCIARY RESPONSIBILITIES

THE TOWNSHIP AS TRUSTEE

The Township is the trustee, or fiduciary, for its tax collection and agency funds. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

Recall that the statement of net assets provides the perspective of the Township as a whole. Table I provides a summary of the Township's net assets as of June 30, 2008 and 2007:

TABLE 1	Governmental Activities	
	(In Thousands)	
	2008	2007
ASSETS		
Current And Other Assets	\$ 919.0	\$ 944.6
Capital Assets - Net Of Accumulated Depreciation	1,065.2	989.3
TOTAL ASSETS	1,984.2	1,933.9
LIABILITIES		
Current Liabilities	132.6	136.8
Long-Term Liabilities	762.0	735.8
Other Liabilities	474.7	537.1
TOTAL LIABILITIES	1,369.3	1,409.7
NET ASSETS		
Invested In Property And Equipment - Net Of Related Debt	180.8	149.7
Restricted	0.0	0.0
Unrestricted	434.1	374.5
TOTAL NET ASSETS	\$ 614.9	\$ 524.2

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were \$614.9 thousand at June 30, 2008. Capital assets, net of related debt totaling \$180.8 thousand compares the original cost, less depreciation of the Township's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Township's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$434.1 thousand) was unrestricted.

The \$434.1 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008.

TABLE 2	Governmental Activities	
	(In Thousands)	
	2008	2007
REVENUE		
Program Revenue		
Charges For Services	\$ 47.4	\$ 59.4
Grants And Categoryicals	0.0	0.0
General Revenue		
Property Taxes	123.6	113.2
Special Assessments	62.4	80.7
State Revenue	206.5	199.9
Other	90.3	103.4
TOTAL REVENUE	530.2	\$ 556.6
FUNCTION/PROGRAM EXPENSES		
General Government	\$ 206.0	\$ 253.0
Public Safety	114.9	102.8
Public Works	1.5	9.5
Community Enrichment	0.0	0.0
Interest on Long-Term Debt	28.5	1.7
Depreciation (unallocated)	88.6	85.7
TOTAL FUNCTION/PROGRAM EXPENSES	439.5	452.7
INCREASE IN NET ASSETS	\$ 90.7	\$ 103.9

As reported in the statement of activities, the cost of all of our governmental activities this year was \$439.5 thousand. Certain activities were partially funded from those who benefited from the programs (\$47.4 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). The remaining "public benefit" portion of the governmental activities were paid with \$123.6 thousand in taxes, \$206.5 thousand in State Revenue, and with other revenue, such as interest and general entitlements.

The Township experienced an increase in net assets of \$90.7 thousand. The key reason for the increase in net assets was controlling expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue constitute the vast majority of the Township's operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses funds to help control and manage money for certain purposes. Looking at funds helps the reader consider whether the Township is accountable for the resources taxpayers and others provide and may give more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$434.1 thousand, which is an increase of \$59.6 thousand from last year. The primary reason for the increase is controlling expenditures. The General Fund, the principal operating fund, saw the fund balance increase \$14,013 to \$182,587, which is greater than the budgeted decrease amount of \$3,488.

MAJOR FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Township amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSET

At June 30, 2008, the Township had \$1,065.2 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$75.8 thousand or 7 percent, from last year.

	2008	2007
Land	\$ 55,863	\$ 52,863
Land Improvements	61,172	61,172
Buildings and Improvements	218,039	218,039
Fire Equipment	129,362	133,638
Fire Vehicles	506,050	506,050
Office Equipment	25,668	34,847
Intangible Assets	776,250	614,750
Total Capital Assets	1,772,404	1,621,359
Less Accumulated Depreciation	707,217	632,026
Net Capital Assets	\$ 1,065,187	\$ 989,333

More detailed information about long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The elected officials and administration considered many factors when setting the Township's 2008-2009 fiscal year budget.

Because the Township's revenue is heavily dependent on State Shared Revenue, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to Townships. The State periodically holds a revenue consensus conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The Township's budget is very similar to the prior year. Interest rates on the Township's savings accounts should increase slightly, providing slightly higher interest revenue. The Township's taxable value will be higher, increasing the property tax revenue. Expenditures will be very consistent with last year.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors of Liberty Township with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Supervisor, 101 W. Liberty Road, Clarklake, Michigan 49234.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 352,098
Accounts Receivable	87,682
Prepaid Expenditures	4,503
Total Current Assets	444,283
Non-Current Assets	
Capital Assets	1,772,404
Less: Accumulated Depreciation	-707,217
Total Non-Current Assets	1,065,187
Other Assets	
Special Assessment Receivable	474,713
TOTAL ASSETS	\$ 1,984,183
LIABILITIES AND NET ASSETS	
Current Liabilities	
Current Portion of Long-Term Debt	\$ 115,888
Accounts Payable	10,170
Accrued Interest	6,574
Total Current Liabilities	132,632
Non-Current Liabilities	
Long-Term Debt	761,962
Compensated Absences and Severance Pay	---
Total Non-Current Liabilities	761,962
Other Liabilities	
Deferred Revenues	474,713
TOTAL LIABILITIES	1,369,307
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	180,763
Restricted for Debt Service	---
Unrestricted	434,113
TOTAL NET ASSETS	614,876
TOTAL LIABILITIES AND NET ASSETS	\$ 1,984,183

See Accompanying Notes to Financial Statements

LIBERTY TOWNSHIP

Government-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

		Program Revenues		Governmental Activities
		Charges For Services	Operating Grants	Net <Expense> Revenue and Changes in Net Assets
	Expenses			
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 206,004	\$ 10,234	\$ ---	\$ -195,770
Public Safety	114,871	37,127	---	-77,744
Public Works	1,441	---	---	-1,441
Community Enrichment	---	---	---	---
Interest on Long-Term Debt	28,538	---	---	-28,538
Depreciation (Unallocated)	88,646	---	---	-88,646
Total Governmental Activities	\$ 439,500	\$ 47,361	\$ ---	\$ -392,139
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 123,562
Property Taxes, Levied for Debt Service				---
Special Assessments				62,369
State of Michigan Aid				206,490
Interest Earnings				40,036
Other				50,327
Total General Revenue				482,784
CHANGE IN NET ASSETS				90,645
NET ASSETS - BEGINNING OF YEAR				524,231
NET ASSETS - END OF YEAR				\$ 614,876

See Accompanying Notes to Financial Statements.

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	General	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 111,610	\$ 240,488	\$ 352,098
Accounts Receivable	---	14,061	14,061
Taxes and Fees Receivable	---	---	---
Due from Other Governmental Units	65,982	---	65,982
Due from Other Funds	10,572	---	10,572
Prepaid Expenditures	4,503	---	4,503
Special Assessments Receivable	---	474,713	474,713
TOTAL ASSETS	\$ 192,667	\$ 729,262	\$ 921,929
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,916	\$ 90	\$ 4,006
Due to Other Funds	---	2,933	2,933
Due to Other Governmental Units	6,164	---	6,164
Deferred Revenue	---	474,713	474,713
TOTAL LIABILITIES	10,080	477,736	487,816
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	---	251,526	251,526
Unreserved and Undesignated	182,587	---	182,587
TOTAL FUND BALANCES	182,587	251,526	434,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 192,667	\$ 729,262	\$ 921,929
TOTAL GOVERNMENTAL FUND BALANCES			\$ 434,113
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets			\$ 1,772,404
Accumulated Depreciation			-707,217
			1,065,187
Long-Term Liabilities are not due and payable in the current period and are not reported in the fund.			
Long-term debt			-877,850
Compensated absences			---
			-6,574
Accrued interest is not included as a liability in governmental funds.			-
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 614,876

See Accompanying Notes to Financial Statements.

LIBERTY TOWNSHIP

Fund Financial Statements

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	General	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE			
Property Taxes	\$ 123,562	\$ ---	\$ 123,562
Special Assessments	---	62,369	62,369
State Grants	206,490	---	206,490
Permits and Licenses	9,737	27,390	37,127
Charges for Services	9,976	258	10,234
Interest	1,531	38,505	40,036
Other	3,592	46,735	50,327
TOTAL REVENUE	354,888	175,257	530,145
EXPENDITURES			
General Government	202,584	---	202,584
Public Safety	80,617	27,839	108,456
Public Works	1,259	182	1,441
Recreational and Cultural	---	---	---
Debt Service	50,000	16,631	66,631
Capital Outlay	167,915	3,000	170,915
TOTAL EXPENDITURES	502,375	47,652	550,027
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-147,487	127,605	-19,882
OTHER FINANCING SOURCES <USES>			
Loan Proceeds	161,500	---	161,500
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
Transfers to Other Governments	---	-82,050	-82,050
TOTAL OTHER FINANCING SOURCES <USES>	161,500	-82,050	79,450
NET CHANGE IN FUND BALANCES	14,013	45,555	59,568
FUND BALANCES - BEGINNING OF YEAR	168,574	205,971	374,545
FUND BALANCES - END OF YEAR	\$ 182,587	\$ 251,526	\$ 434,113

See Accompanying Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS **\$ 59,568**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-88,646	
Capital Outlay	<u>164,500</u>	
		75,854

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 553

- Loan proceeds are recorded as an other financing source in governmental funds, but are included as a liability on the statement of net assets and not included in the statement of activities. -166,200

- Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 120,870

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 90,645**

STATEMENT OF FIDUCIARY NET ASSETS**JUNE 30, 2008****ASSETS**

Cash	\$ 11,254
Investments	---
TOTAL ASSETS	<u>\$ 11,254</u>

LIABILITIES

Due to Other Funds	\$ 7,639
Due to Other Governments	3,615
TOTAL LIABILITIES	<u>\$ 11,254</u>

See Accompanying Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Liberty Township covers an area of approximately 36 square miles located in Jackson County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its approximately 3,000 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Township currently uses the following Special Revenue Funds:

The *Building Department Fund* accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

B. BASIS OF PRESENTATION (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

Special Revenue Funds (Continued)

The *Fire Equipment Fund* accounts for revenue set aside by the Township Board to finance the purchase of fire capital equipment. This revenue includes 2/3rd of the impact fee paid by a landfill located within the Township, grants, and transfers from the General Fund.

The *Central Complex Fund* accounts for 1/3rd of the impact fee paid by a landfill located within the Township. This money has been designated to finance the construction of a township hall/fire station complex in a location closer to the center of the Township.

The *Improvement Revolving Fund* accounts for all resources set aside for future capital improvements.

The *Sewer Fund* accounts for usage collections and distributions related to sewer activity maintained by other Townships.

Debt Retirement Funds – These funds are used to account for the accumulation of resources for, and for the payment of general long-term debt principal, interest and related costs. The Township maintains one debt retirement fund (the Sewer Fund) to retire the outstanding Jackson County Capital Lease indebtedness.

FIDUCIARY FUNDS

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. The Township currently maintains the following fiduciary funds.

The *Agency Funds - Current Tax* and *Employee Withholding Funds* account for assets held for other governments and individuals in an agency capacity.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31 and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. The property tax revenue in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Jackson County for collection and to be added to the delinquent tax rolls. Jackson County purchases all of the delinquent real property taxes of Liberty Township. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2007 were .7603 mills for operations. Total taxable value of real and personal property in the Township was \$109,114,600.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains), are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value of the asset or materially extend its useful life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land and Improvements	10-20 years
Buildings and Additions	10-40 years
Vehicles	5-20 years
Fire Equipment	5-20 years
Office Equipment	5 years
Intangible assets	20 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. PRIOR YEAR INFORMATION

Certain prior year information has been modified to match the format of the June 30, 2008 financial presentation.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS: The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks and one credit union.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC and FCUA)	\$ 183,718	\$ 183,718
Uninsured & Uncollateralized	179,634	190,566
Total Deposits	<u>\$ 363,352</u>	<u>\$ 374,284</u>

Differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

Effective October 3, 2008, FDIC has increased its insurance coverage to \$250,000 per account owner through December 31, 2009.

NOTE 3 - ACCUMULATED FUND DEFICITS

There are no accumulated fund deficits.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2008, consisted of the following:

<u>Due To:</u>		<u>Due From:</u>	
General Fund	\$ 2,933	Building Department Fund	\$ 2,933
General Fund	5,935	Tax Collection Fund	5,935
General Fund	1,704	Employee Withholding Fund	1,704
	<u>\$ 10,572</u>		<u>\$ 10,572</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 52,863	\$ 3,000	\$ ---	\$ 55,863
<u>Capital Assets Being Depreciated</u>				
Land Improvements	\$ 61,172	\$ ---	\$ ---	\$ 61,172
Buildings And Improvements	218,039	---	---	218,039
Fire Equipment	133,638	---	4,276	129,362
Fire Vehicles	506,050	---	---	506,050
Office Equipment	34,847	---	9,179	25,668
Intangible Assets	614,750	161,500	---	776,250
Total Capital Assets Being Depreciated	<u>\$ 1,568,496</u>	<u>\$ 161,500</u>	<u>\$ 13,455</u>	<u>\$ 1,716,541</u>

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
<u>Accumulated Depreciation</u>				
Land Improvements	\$ 28,990	\$ 3,059	\$ ---	\$ 32,049
Buildings And Improvements	148,249	4,864	---	153,113
Fire Equipment	68,294	12,880	4,276	76,898
Fire Vehicles	172,964	24,940	---	197,904
Office Equipment	25,824	4,091	9,179	20,736
Intangible Assets	187,705	38,812	---	226,517
Total Accumulated Depreciation	632,026	88,646	13,455	707,217
Net Capital Assets Being Depreciated	936,470	72,854	---	1,009,324
Net Capital Assets	\$ 989,333	\$ 75,854	\$ ---	\$ 1,065,187

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended June 30, 2008, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
General Fund			
Capital Outlay	\$ 8,000	\$ 167,915	\$ 159,915
Fire Equipment Fund			
Debt Service	---	16,631	16,631
Administrative	---	1,366	1,366
Improvement Revolving Fund			
Capital Outlay	---	3,000	3,000
Sewer Fund			
Public Works	---	182	182

NOTE 7 - RETIREMENT PLAN

The Liberty Township Group Pension Plan was a single employer public employee retirement system that administered the Township's defined contribution pension plan for all full-time salaried or clerical employees.

The financial statements of the Plan were included as a fiduciary fund of the Township. The Township was the only contributor to the pension plan.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account and the returns earned on investments of these contributions. Contributions by the Township vest immediately. The Township was required to contribute an amount equal to 11% of compensation. Contributions were not reduced by plan charges.

The Township has discontinued the retirement plan effective July 1, 2007, and distributed all assets of the plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2008, no claims exist and no provision has been entered into the accounting records.

NOTE 10 – LONG-TERM DEBT**INSTALLMENT PURCHASE AGREEMENT**

During 2005, the Township entered into an installment purchase agreement with the manufacturer of fire apparatus, which immediately sold the agreement to Comerica Bank. The Township financed \$75,000 of the purchase price of its fire apparatus. The terms of the agreement call for fixed quarterly principal and interest payments of \$4,157.84 for five years, with interest on the unpaid balance at 3.90%. The Township intends to finance this debt with future impact fees received from a landfill located within the township. This activity is reflected in the Fire Equipment Fund. The total balance outstanding at June 30, 2008 was \$31,826.58

Date	Rate	Payment Amount	Debt Service Requirements		Principal Balance	Fiscal Year
			Principal	Interest		
08/10/08	3.90%	\$ 4,157.84	\$ 3,840.64	\$ 317.20	\$ 27,985.95	
11/10/08	3.90%	4,157.84	3,878.91	278.93	24,107.04	
02/10/09	3.90%	4,157.84	3,917.57	240.27	20,189.46	
05/10/09	3.90%	4,157.84	3,963.18	194.66	16,226.28	06/30/09
		16,631.36	15,600.30	1,031.06		
08/10/09	3.90%	4,157.84	3,996.11	161.73	12,230.17	
11/10/09	3.90%	4,157.84	4,035.95	121.89	8,194.22	
02/10/10	3.90%	4,157.84	4,076.17	81.67	4,118.05	
05/10/10	3.90%	4,157.75	4,118.05	39.70	\$ 0.00	06/30/10
		16,631.27	16,226.28	404.99		
TOTALS		\$ 33,262.63	\$ 31,826.58	\$ 1,436.05		

NOTE 10 - LONG-TERM DEBT (CONTINUED)

CAPITAL LEASE PAYABLE

The Township, in joint arrangement with Hanover Township, has financed the construction of sewer disposal facilities through the County of Jackson, under capital lease obligations. The County has issued bonds and will supervise the construction of the facilities. The Townships lease the facilities, with semi-annual payments in amounts necessary to cover the County's debt service requirements on the underlying bonds.

The agreement covers the Round Lake/Farwell Lake sewer project and is accounted for in the Sewer Fund Debt Service Fund. This project entails parts of two townships. Liberty Township is responsible for 22.35% of the total construction bonds issued by the County (120 residential equivalent units of the 535 total in the project). This total, \$871,650, has been recognized, along with a deposit due from the County of Jackson. The Township will finance repayment of the lease through a special assessment levied upon benefiting property owners (see Note 11). The total outstanding balance of this lease was \$704,025 at June 30, 2008.

Date	Rate	Debt Service Requirements		Fiscal Year Total	Balance
		Principal	Interest		
06/30/08					\$ 704,025.00
10/01/08			\$ 12,866.17		
04/01/09	3.00%	\$ 50,287.50	12,866.17	\$ 76,019.84	653,737.50
10/01/09			12,131.86		
04/01/10	3.00%	50,287.50	12,131.86	74,551.22	603,450.00
10/01/10			11,377.55		
04/01/11	3.25%	50,287.50	11,377.55	73,042.60	553,162.50
10/01/11			10,560.28		
04/01/12	3.25%	50,287.50	10,560.28	71,408.06	502,875.00
10/01/12			9,743.20		
04/01/13	3.50%	50,287.50	9,743.20	69,773.90	452,587.50
10/01/13			8,863.17		
04/01/14	3.50%	50,287.50	8,863.17	68,013.84	402,300.00
10/01/14			7,983.14		
04/01/15	3.75%	50,287.50	7,983.14	66,253.78	352,012.50
10/01/15			7,040.25		
04/01/16	4.00%	50,287.50	7,040.25	64,368.00	301,725.00
10/01/16			6,034.50		
04/01/17	4.00%	50,287.50	6,034.50	62,356.50	251,437.50
10/01/17			5,028.75		
04/01/18	4.00%	50,287.50	5,028.75	60,345.00	201,150.00
10/01/18			4,023.00		
04/01/19	4.00%	50,287.50	4,023.00	58,333.50	150,862.50
10/01/19			3,017.25		
04/01/20	4.00%	50,287.50	3,017.25	56,322.00	100,575.00
10/01/20			2,011.50		
04/01/21	4.00%	50,287.50	2,011.50	54,310.50	50,287.50
10/01/21			1,005.75		
04/01/22	4.00%	50,287.50	1,005.75	52,299.00	---
		<u>\$ 704,025.00</u>	<u>\$ 203,372.74</u>	<u>\$ 907,397.74</u>	

TOWNSHIP ROAD AGREEMENTS

The Township currently is financing variance road projects with the Jackson County Road Commission. There is no interest charged on this agreement. The Road Commission arranged the project funding so the Township owes \$50,000 annually (the maximum amount for which the Road Commission will provide matching funds). This amount is billed in October. Under this agreement there was currently one installment of \$50,000 made in October 2007, additional payments of \$50,000 due in October of 2008 and 2009, and a final payment of \$41,999 due in October 2010. The total amount owed at June 30, 2008 was \$141,999.

The following is a summary of the Township's general long-term debt transactions for the year ended June 30, 2008.

	Balance 6/30/07	New Issues	Payments	Balance 6/30/08
Installment Purchase Agreement:				
2005 Fire Truck Purchase	\$ 46,821	\$ ---	\$ 14,995	\$ 31,826
Township Road Agreements	25,799	166,200	50,000	141,999
Capital Leases Payable				
Round/Farwell Lake	759,900	---	55,875	704,025
	<u>\$ 832,520</u>	<u>\$ 166,200</u>	<u>\$ 120,870</u>	<u>\$ 877,850</u>

The following is a summary of debt service principal requirements for the next five years.

	Fire Truck	Roads	Sewer Lease	Total
Year Ending June 30, 2009	\$ 15,600	\$ 50,000	\$ 50,288	\$ 115,888
2010	16,226	50,000	50,287	116,513
2011	---	41,999	50,288	92,287
2012	---	---	50,287	50,287
2013	---	---	50,288	50,288
2014 and thereafter	---	---	452,587	452,587
	<u>\$ 31,826</u>	<u>\$ 141,999</u>	<u>\$ 704,025</u>	<u>\$ 877,850</u>

NOTE 11 - SPECIAL ASSESSMENTS

A Special Assessment district has been established by the Township to collect monies for the payment of the Capital Lease for the Round Lake/Farwell Lake sewer project. The Township records all uncollected special assessments as deferred revenue. Interest is charged at 1% over the average bond rate.

Total Special Assessment	\$ 1,019,520
Amounts Collected - Prior Years	-508,038
Amounts Collected - Current Year	<u>-51,482</u>
Receivable/Deferred Revenue	<u>\$ 460,000</u>

A Special Assessment district has been established by the Township to collect monies for the paving of Morton Road. Interest is charged at 6%.

Total Special Assessment	\$ 64,000
Amounts collected - Prior Years	-38,400
Amounts collected - Current Year	<u>-10,887</u>
Receivable/Deferred Revenue	<u>\$ 14,713</u>

LIBERTY TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule**GENERAL FUND****YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Property Taxes	\$ 123,627	\$ 123,627	\$ 123,562	\$ -65
State Revenue	204,800	201,312	206,490	5,178
Permits and Licenses	10,500	10,500	9,737	-763
Charges for Services	11,600	11,600	9,976	-1,624
Interest	1,200	1,200	1,531	331
Other	2,900	2,900	165,092	162,192
Transfers In	18,200	18,200	---	-18,200
TOTAL REVENUE	372,827	369,339	516,388	147,049
EXPENDITURES				
General Government	223,654	223,654	202,584	21,070
Public Safety	84,350	84,350	80,617	3,733
Public Works	6,823	6,823	1,259	5,564
Recreation and Culture	---	---	---	---
Debt Service	50,000	50,000	50,000	---
Capital Outlay	8,000	8,000	167,915	-159,915
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	372,827	372,827	502,375	-129,548
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	---	-3,488	14,013	17,501
BUDGETARY FUND BALANCE - JULY 1, 2007	168,574	168,574	168,574	---
BUDGETARY FUND BALANCE - JUNE 30, 2008	\$ 168,574	\$ 165,086	\$ 182,587	\$ 17,501

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

BALANCE SHEET**JUNE 30, 2008****ASSETS**

Cash	\$ 111,610
Accounts Receivable	---
Prepaid Expenses	4,503
Due from Other Governments	65,982
Due from Other Funds	10,572

TOTAL ASSETS	\$ 192,667
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LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ 3,916
Due to Other Governments	6,164
Due to Other Funds	---
TOTAL LIABILITIES	10,080

FUND BALANCE

Reserved	---
Unreserved - Designated	---
Unreserved - Undesignated	182,587
TOTAL FUND BALANCE	182,587

TOTAL LIABILITIES AND FUND BALANCE	\$ 192,667
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LIBERTY TOWNSHIP

General Fund

STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Property Taxes			
Current Tax Levy	\$ 82,960	\$ 83,056	\$ 96
Administration Fees	37,442	33,330	-4,112
Delinquent Personal Property Taxes	---	24	24
Penalties And Interest	3,000	6,969	3,969
Trailer Park Taxes	225	183	-42
Total Property Taxes	123,627	123,562	-65
Licenses And Permits			
Cable Vision Fees	9,000	9,087	87
Conditional Use And Variance Fees	1,500	650	-850
Total Licenses And Permits	10,500	9,737	-763
State Revenue			
State Shared Revenue	196,512	201,701	5,189
Metro Act	4,800	4,789	-11
Total State Revenue	201,312	206,490	5,178
Charges For Services			
Tax Collection Fee	6,900	6,958	58
Cemetery Administrative Fee	100	---	-100
Grave Openings and Marker Bases	1,700	2,152	452
Cemetery lot sales	1,200	---	-1,200
Fax and Information Requests	1,700	866	-834
Total Charges For Services	11,600	9,976	-1,624
Interest	1,200	1,531	331
Facility Rental	1,000	645	-355
Other			
Loan Proceeds	---	161,500	161,500
Miscellaneous	700	973	273
Refunds and Reimbursements	1,200	1,974	774
Total Other	1,900	164,447	162,547
Transfers In	18,200	---	-18,200
TOTAL REVENUE	\$ 369,339	\$ 516,388	\$ 147,049

General Fund

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES			
General Government			
<u>Legislative Board</u>			
Salaries and wages - Board	\$ 3,600	\$ 3,534	\$ 66
Salaries and wages - Clerical	12,000	11,081	919
Payroll taxes	888	1,888	-1,000
Office supplies	3,800	2,901	899
Professional and contracted services	19,300	12,325	6,975
Clean-up contracted services	1,700	2,366	-666
Mowing and snow removal	8,900	9,062	-162
Repairs and maintenance	2,500	1,459	1,041
Conferences and workshops	1,000	75	925
Printing and publishing	3,300	5,658	-2,358
Insurance and bonds	26,000	26,120	-120
Miscellaneous	---	89	-89
Computer software and training	7,600	8,859	-1,259
Membership/dues/mileage	3,500	2,114	1,386
Telephone/Internet	---	1,497	-1,497
Newsletter	500	---	500
Total Legislative Board	94,588	89,028	5,560
<u>Supervisor</u>			
Supervisor wages	10,428	10,428	---
Salaries and wages - other	23,610	23,610	---
Payroll taxes	778	798	-20
Office Supplies	800	310	490
Printing and Publishing	100	85	15
Memberships/dues/mileage	1,300	402	898
Conferences and workshops	1,300	557	743
Equipment	4,500	1,078	3,422
Total Supervisor	42,816	37,268	5,548
<u>Elections</u>			
Salaries and wages	3,900	2,593	1,307
Payroll taxes	---	12	-12
Office supplies	450	555	-105
Professional fees	---	---	---
Membership/dues/mileage	---	398	-398
Equipment	---	2,364	-2,364
Miscellaneous	---	145	-145
Printing	400	118	282
Total Elections	\$ 4,750	\$ 6,185	\$ -1,435

LIBERTY TOWNSHIP

General Fund

STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<u>Board of Review</u>			
Salaries and wages	\$ 1,600	\$ 1,203	\$ 397
Office Supplies	---	105	-105
Professional Fees	---	---	---
Printing	225	---	225
Miscellaneous	75	65	10
Total Board of Review	1,900	1,373	527
<u>Clerk</u>			
Salaries and wages	23,984	21,390	2,594
Payroll taxes	1,775	1,636	139
Office supplies	400	384	16
Memberships/dues/mileage	900	112	788
Conferences and workshops	800	---	800
Equipment	2,750	590	2,160
Total Clerk	30,609	24,112	6,497
<u>Treasurer</u>			
Salaries and wages	25,584	24,355	1,229
Payroll taxes	300	1,471	-1,171
Insurance	---	113	-113
Office supplies	2,000	154	1,846
Professional Fees	---	800	-800
Printing and Publishing	---	502	-502
Memberships/dues/mileage	600	125	475
Conferences and workshops	600	160	440
Equipment	150	1,469	-1,319
Total Treasurer	29,234	29,149	85
<u>Township Hall</u>			
Salaries and wages	2,600	2,491	109
Payroll taxes	192	191	1
Utilities	3,800	3,592	208
Building maintenance	1,000	---	1,000
Equipment	900	---	900
Telephone/internet	2,200	1,672	528
Total Township Hall	\$ 10,692	\$ 7,946	\$ 2,746

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<u>Cemeteries</u>			
Salaries and wages	\$ 1,740	\$ 1,573	\$ 167
Payroll taxes	---	128	-128
Operating supplies	200	---	200
Contracted services	2,500	2,630	-130
Mileage	225	227	-2
Markers and bases	1,000	604	396
Repairs and maintenance	1,200	1,248	-48
Total Cemeteries	6,865	6,410	455
<u>Masonic Lodge</u>			
Salaries and wages	200	---	200
Equipment	100	---	100
Utilities	1,400	1,063	337
Repairs and maintenance	500	50	450
Total Masonic Lodge	2,200	1,113	1,087
Total General Government	\$ 223,654	\$ 202,584	\$ 21,070
Public Safety			
<u>Fire Department</u>			
Salaries and wages	\$ 33,506	\$ 36,878	\$ -3,372
Payroll taxes	2,879	1,173	1,706
Education and training	9,100	2,865	6,235
Medical expense	1,800	724	1,076
Insurance	7,540	4,503	3,037
Telephone/internet	1,200	1,352	-152
Memberships/dues/mileage	1,150	1,804	-654
Operating supplies	5,000	6,913	-1,913
Utilities	2,850	2,696	154
Equipment maintenance	2,200	4,208	-2,008
Radio maintenance	800	1,156	-356
Building maintenance	1,500	208	1,292
Vehicle maintenance	4,500	4,727	-227
Total Fire Department	\$ 74,025	\$ 69,207	\$ 4,818

LIBERTY TOWNSHIP

General Fund

STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
Public Safety (Continued)			
<u>Zoning and Planning</u>			
Salaries and Wages	\$ 8,025	\$ 9,786	\$ -1,761
Payroll Taxes	---	465	-465
Region 2 expenditures	1,500	809	691
Conferences and workshops	800	80	720
Printing and Publishing	---	---	---
Legal Fees	---	---	---
Office Supplies	---	270	-270
Total Zoning and Planning	10,325	11,410	-1,085
Total Public Safety	\$ 84,350	\$ 80,617	\$ 3,733
Public Works			
<u>Street Lighting</u>	\$ 1,300	\$ 818	\$ 482
<u>Highways and Roads</u>			
Miscellaneous	1,500	441	1,059
Dust Control	4,023	---	4,023
Debt Retirement	50,000	50,000	---
Total Highways and Roads	55,523	50,441	5,082
Total Public Works	\$ 56,823	\$ 51,259	\$ 5,564
Capital Outlay			
Highways and Roads	\$ ---	\$ 161,500	\$ -161,500
Township Hall	---	---	---
Fire Department	8,000	6,415	1,585
Total Capital Outlay	\$ 8,000	\$ 167,915	\$ -159,915
TOTAL EXPENDITURES	\$ 372,827	\$ 502,375	\$ -129,548

SPECIAL REVENUE FUNDS

LIBERTY TOWNSHIP

Special Revenue Funds

COMBINING BALANCE SHEET

June 30, 2008

	Building Dept.	Fire Equip.	Central Complex	Improvement Revolving	Sewer Fund	Total
ASSETS						
Cash	\$ 25,031	\$ 33,635	\$ 140,278	\$ 41,370	\$ 174	\$ 240,488
Accounts Receivable	---	9,374	4,687	---	---	14,061
Taxes Receivable	---	---	---	---	---	---
Special Assessment Receivable	---	---	---	14,713	---	14,713
Due from Other Funds	---	---	---	---	---	---
TOTAL ASSETS	\$ 25,031	\$ 43,009	\$ 144,965	\$ 56,083	\$ 174	\$ 269,262
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 90	\$ ---	\$ ---	\$ ---	\$ ---	\$ 90
Due to Other Governments	---	---	---	---	---	---
Due to Other Funds	2,933	---	---	---	---	2,933
Deferred Revenue	---	---	---	14,713	---	14,713
TOTAL LIABILITIES	3,023	---	---	14,713	--	17,736
FUND BALANCES	22,008	43,009	144,965	41,370	174	251,526
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,031	\$ 43,009	\$ 144,965	\$ 56,083	\$ 174	\$ 269,262

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2008

	Building Dept.	Fire Equip.	Central Complex	Improvement Revolving	Sewer Fund	Total
REVENUE						
Special Assessment	\$ ---	\$ ---	\$ ---	\$ 10,887	\$ ---	\$ 10,887
Special Assessment Interest	---	---	---	1,546	---	1,546
Permits	27,390	---	---	---	---	27,390
State Grants	---	---	---	---	---	---
Interest Earned	434	480	4,854	618	5	6,391
Miscellaneous	940	---	---	---	---	940
Property Taxes	---	---	---	---	---	---
Impact Fee	---	30,530	15,265	---	---	45,795
Usage Fee	---	---	---	---	258	258
TOTAL REVENUE	28,764	31,010	20,119	13,051	263	93,207
EXPENDITURES						
Public Works	---	---	---	---	182	182
Public Safety	26,473	1,366	---	---	---	27,839
Recreation and Cultural	---	---	---	---	---	---
Debt Service	---	16,631	---	---	---	16,631
Capital Outlay	---	---	---	3,000	---	3,000
TOTAL EXPENDITURES	26,473	17,997	---	3,000	182	47,652
EXCESS OF REVENUE OVER EXPENDITURES	2,291	13,013	20,119	10,051	81	45,555
FUND BALANCES - BEGINNING OF YEAR	19,717	29,996	124,846	31,319	93	205,971
FUND BALANCES - END OF YEAR	\$ 22,008	\$ 43,009	\$ 144,965	\$ 41,370	\$ 174	\$ 251,526

LIBERTY TOWNSHIP

Special Revenue Funds

BUILDING DEPARTMENT FUND

BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 25,031
Accounts Receivable	---
Prepaid Expenses	---
TOTAL ASSETS	<u>\$ 25,031</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 90
Due to Other Funds	2,933
TOTAL LIABILITIES	<u>3,023</u>

FUND BALANCE

Reserved	---
Unreserved - Designated	22,008
TOTAL FUND BALANCE	<u>22,008</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,031</u>
---	-------------------------

BUILDING DEPARTMENT FUND

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Administrative Fee	\$ 4,536	\$ 4,244	\$ -292
Building Permits	10,800	8,435	-2,365
Electrical Permits	6,000	6,017	17
Mechanical Permits	3,000	3,918	918
Plumbing Permits	2,880	2,376	-504
Site Review Fee	2,750	2,400	-350
Interest	250	434	184
Miscellaneous	2,000	940	-1,060
TOTAL REVENUE	32,216	28,764	-3,452
EXPENDITURES			
<u>Zoning Department</u>			
Fees	2,200	2,080	120
Payroll Taxes	170	222	-52
Office Supplies	50	43	7
Total Zoning Department	2,420	2,345	75
<u>Building Inspection</u>			
Fees	14,100	9,791	4,309
Administrative Assistant	2,760	2,894	-134
Payroll Taxes	205	364	-159
Office Supplies	1,330	619	711
Conferences and Workshops	1,150	---	1,150
Total Building Inspection	19,545	13,668	5,877
<u>Electrical Inspection</u>			
Fees	4,500	4,996	-496
Office Supplies	---	---	---
Conferences and Workshops	540	---	540
Other	---	---	---
Total Electrical Inspection	5,040	4,996	44

LIBERTY TOWNSHIP

Special Revenue Funds

BUILDING DEPARTMENT FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
<u>Mechanical Inspection</u>			
Fees	\$ 2,250	\$ 2,952	\$ -702
Office Supplies	---	---	---
Conferences and Workshops	540	---	540
Other	---	---	---
Total Mechanical Inspection	2,790	2,952	-162
<u>Plumbing Inspection</u>			
Fees	2,160	2,512	-352
Conferences and Workshops	540	---	540
Other	---	---	---
Total Plumbing Inspection	2,700	2,512	188
TOTAL EXPENDITURES	32,495	26,473	6,022
EXCESS REVENUE OVER <UNDER> EXPENDITURES	-279	2,291	2,570
TRANSFERS IN <OUT>	---	---	---
FUND BALANCE -BEGINNING OF YEAR	19,717	19,717	---
FUND BALANCE - END OF YEAR	\$ 19,438	\$ 22,008	\$ 2,570

FIRE EQUIPMENT FUND

BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 33,635
Accounts Receivable	9,374
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	---

TOTAL ASSETS	\$ 43,009
---------------------	------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ ---
Due to Other Funds	---
TOTAL LIABILITIES	---

FUND BALANCE

Unreserved - Designated	43,009
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TOTAL LIABILITIES AND FUND BALANCE	\$ 43,009
---	------------------

LIBERTY TOWNSHIP

Special Revenue Funds

FIRE EQUIPMENT FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
State Revenue	---	---	---
Interest Earned	---	480	480
Impact Fee	---	30,530	30,530
Miscellaneous	---	---	---
TOTAL REVENUE	---	31,010	31,010
EXPENDITURES			
Debt Service	---	16,631	-16,631
Capital Outlay	---	---	---
Administrative	---	1,366	-1,366
TOTAL EXPENDITURES	---	17,997	-17,997
EXCESS REVENUE OVER EXPENDITURES	---	13,013	13,013
TRANSFERS IN <OUT>	---	---	---
FUND BALANCE - BEGINNING OF YEAR	29,996	29,996	---
FUND BALANCE - END OF YEAR	\$ 29,996	\$ 43,009	\$ 13,013

CENTRAL COMPLEX FUND

BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 140,278
Accounts Receivable	4,687
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	---

TOTAL ASSETS	<u>\$ 144,965</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ ---
Due to Other Funds	---

TOTAL LIABILITIES	<u>---</u>
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FUND BALANCE

Unreserved - Designated	<u>144,965</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 144,965</u>
---	--------------------------

LIBERTY TOWNSHIP

Special Revenue Funds

CENTRAL COMPLEX FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
State Revenue	---	---	---
Interest Earned	---	4,854	4,854
Impact Fee	---	15,265	15,265
Miscellaneous	---	---	---
TOTAL REVENUE	---	20,119	20,119
EXPENDITURES			
Debt Service	---	---	---
Capital Outlay	---	---	---
Administrative	---	---	---
TOTAL EXPENDITURES	---	---	---
EXCESS REVENUE OVER EXPENDITURES	---	20,119	20,119
TRANSFERS IN <OUT>	---	---	---
FUND BALANCE - BEGINNING OF YEAR	124,846	124,846	---
FUND BALANCE - END OF YEAR	\$ 124,846	\$ 144,965	\$ 20,119

IMPROVEMENT REVOLVING FUND

BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 41,370
Accounts Receivable	---
Taxes Receivable	---
Special Assessment Receivable	14,713
Due from Other Funds	---

TOTAL ASSETS	\$ 56,083
---------------------	------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ ---
Due to Other Funds	---
Deferred Revenue	14,713
TOTAL LIABILITIES	14,713

FUND BALANCE

Unreserved - Designated	41,370
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TOTAL LIABILITIES AND FUND BALANCE	\$ 56,083
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LIBERTY TOWNSHIP

Special Revenue Funds

IMPROVEMENT REVOLVING FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
Special Assessment	---	10,887	10,887
Special Assessment Interest	---	1,546	1,546
Interest Earned	---	618	618
Miscellaneous	---	---	---
TOTAL REVENUE	---	13,051	13,051
EXPENDITURES			
Capital Outlay	---	3,000	-3,000
TOTAL EXPENDITURES	---	3,000	-3,000
EXCESS REVENUE OVER EXPENDITURES	---	10,051	10,051
TRANSFERS IN	---	---	---
FUND BALANCE - BEGINNING OF YEAR	31,319	31,319	---
FUND BALANCE - END OF YEAR	\$ 31,319	\$ 41,370	\$ 10,051

SEWER FUND

BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$	174
Accounts Receivable		---
Taxes Receivable		---
Special Assessment Receivable		---
Due from Other Funds		---

TOTAL ASSETS

\$ 174

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	---
Due to Other Funds		---
Due to Other Governments		---
TOTAL LIABILITIES		<u>---</u>

FUND BALANCE

Unreserved - Designated		<u>174</u>
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TOTAL LIABILITIES AND FUND BALANCE

\$ 174

LIBERTY TOWNSHIP

Special Revenue Funds

SEWER FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
State Revenue	---	---	---
Interest Earned	---	5	5
Usage Fees	---	258	258
TOTAL REVENUE	---	263	263
EXPENDITURES			
Public Works	---	182	-182
Capital Outlay	---	---	---
TOTAL EXPENDITURES	---	182	-182
EXCESS REVENUE OVER EXPENDITURES	---	81	81
TRANSFERS IN	---	---	---
FUND BALANCE - BEGINNING OF YEAR	---	93	93
FUND BALANCE - END OF YEAR	\$ ---	\$ 174	\$ 174

DEBT SERVICE FUND

SEWER FUND**BALANCE SHEET****JUNE 30, 2008****ASSETS**

Cash	\$ ---
Assessments Receivable	460,000
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	---

TOTAL ASSETS	<u>\$ 460,000</u>
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LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ ---
Deferred Revenue	460,000
Due to Other Funds	---
TOTAL LIABILITIES	<u>460,000</u>

FUND BALANCE

Reserved	---
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 460,000</u>
---	--------------------------

SEWER FUND**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****YEAR ENDED JUNE 30, 2008****REVENUE**

Current Property Taxes - Real	\$	---
Current Property Taxes - Personal		---
Special Assessments		51,482
State Revenue		---
Interest Earned		30,568
Miscellaneous		---
TOTAL REVENUE		82,050

EXPENDITURES

Debt Service		---
Administrative		---
Transfers to Other Governments		82,050
TOTAL EXPENDITURES		82,050

EXCESS REVENUE OVER <UNDER> EXPENDITURES ---**TRANSFERS IN** ---**FUND BALANCE - BEGINNING OF YEAR** ---**FUND BALANCE - END OF YEAR** \$ ---

FIDUCIARY FUNDS

AGENCY FUNDS

BALANCE SHEET

JUNE 30, 2008

ASSETS	Employee Withholding Fund	Current Tax Fund	Total
Cash	\$ 4,598	\$ 6,656	\$ 11,254
LIABILITIES			
Due to Other Funds	\$ 1,704	\$ 5,935	\$ 7,639
Due to Other Governments	2,894	721	3,615
	\$ 4,598	\$ 6,656	\$ 11,254

EMPLOYEE WITHHOLDING FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2008

	7-01-07 Balance	Receipts	Disbursements	06-30-08 Balance
ASSETS				
Cash	\$ 3,128	\$ 23,893	\$ 22,423	\$ 4,598
Due From Other Funds	---	---	---	---
	\$ 3,128	\$ 23,893	\$ 22,423	\$ 4,598
LIABILITIES				
Due to General Fund	\$ 3,021	\$ 1,683	\$ 3,000	\$ 1,704
Due to Federal Government	107	18,920	16,529	2,498
Due to State Government	---	3,290	2,894	396
Due to Schools	---	---	---	---
Due to Other	---	---	---	---
	\$ 3,128	\$ 23,893	\$ 22,423	\$ 4,598

CURRENT TAX FUND**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****YEAR ENDED JUNE 30, 2008**

	7-01-07 Balance	Receipts	Disbursements	06-30-08 Balance
ASSETS				
Cash	\$ 13,905	\$ 3,176,156	\$ 3,183,405	\$ 6,656
LIABILITIES				
Due to General Fund	\$ 6,129	\$ 115,947	\$ 116,141	\$ 5,935
Due to Sewer Assessment	6,400	76,371	82,050	721
Due to County	651	1,432,416	1,433,067	---
Due to Schools	725	1,546,770	1,547,495	---
Due to Other	---	4,652	4,652	---
	\$ 13,905	\$ 3,176,156	\$ 3,183,405	\$ 6,656

CURRENT TAX FUND**STATEMENT OF RECEIPTS AND DISBURSEMENTS****YEAR ENDED JUNE 30, 2008****RECEIPTS**

Tax Collections	\$ 3,173,080
Interest	3,076
	<u>\$ 3,176,156</u>

DISBURSEMENTS

Township General Fund	\$ 116,141
Columbia Schools	128,649
Hanover-Horton Schools	581,161
Jackson Schools	13,261
North Adams Schools	1,446
Addison Schools	315
Lenawee ISD	1,390
Hillsdale ISD	1,364
Jackson ISD	819,909
Sewer Assessment	82,050
Jackson County	1,433,067
Other	4,652
	<u>\$ 3,183,405</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board
Township of Liberty

We have audited the financial statements of the governmental activities and each major fund of the Township of Liberty, as of and for the year ended June 30, 2008, which collectively comprise the Township of Liberty's basic financial statements and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Liberty's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Liberty's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Liberty's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Liberty's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Liberty's financial statements that is more than inconsequential will not be prevented or detected by the Township of Liberty's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Liberty's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Liberty's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, the Township Board, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake PC
Certified Public Accountant

October 10, 2008

Karl L. Drake, P.C.
Certified Public Accountant

**3775 Kimmel Road
Horton, Michigan 49246**

**(517) 937-9333 Phone / 563-2552 Fax
Email: kdrakecpa@gmail.com**

October 10, 2008

Township Board
Liberty Township
Clarklake, Michigan 49234

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Liberty Township for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Liberty Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this fiscal year. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 10 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. The primary discussions held this year revolved around the segregation of responsibilities in the Township office. These discussions occurred in the normal course of our professional relationship, however, and our responses were not a condition to our retention.

We would like to take this opportunity to discuss various comments and recommendations related to this year's audit.

- The State of Michigan is scrutinizing the area of budgeting more closely. For years, they have monitored the expenditures for overspending. Now they are much more closely monitoring the revenue and fund balance aspects of budgeting as well. This year the Township had expenditures in excess of amounts budgeted in a few budget categories, and some funds (Improvement Revolving, Central Complex, Sewer, etc.) did not have budgets at all. Greater care needs to be taken to amend the budget when necessary to prevent expenditure overages.
- At the time of the audit, the District had a large amount of money in the bank that exceeded FDIC insurance limits. In these challenging financial times, the placement of Township cash resources should be reviewed, and the Township's exposure to local bank challenges should be reduced when possible. We recommend that the Township spread their cash accounts to several different banks to minimize exposure.

This information is intended solely for the use of Liberty Township, management of Liberty Township and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Karl L. Drake".

Karl L. Drake, P.C.